
HOUSE BILL No. 1522

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-25.

Synopsis: Student loan tax credit. Creates an income tax credit for employees of the state of Indiana or a political subdivision who pay interest on educational loans. Provides that the tax credit may equal up to 50% of the loan interest paid by the employee in a taxable year. Allows that the employee to carry over excess credit to succeeding taxable years.

Effective: July 1, 2003.

Kuzman

January 16, 2003, read first time and referred to Committee on Ways and Means.

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Introduced

First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

HOUSE BILL No. 1522

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-25 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JULY 1, 2003]:

4 **Chapter 25. Educational Loan Interest Credit**

5 **Sec. 1. As used in this chapter, "educational loan" means a loan**
6 **issued under the program established under IC 20-12-21.1.**

7 **Sec. 2. As used in this chapter, "employee" means an individual**
8 **taxpayer who is employed full time or part time by the state or a**
9 **political subdivision.**

10 **Sec. 3. As used in this chapter, "political subdivision" means a**
11 **city, county, municipal corporation, special taxing district, town,**
12 **township, or other separate local governmental entity that may sue**
13 **and be sued.**

14 **Sec. 4. As used in this chapter, "state" means the state of**
15 **Indiana and includes a state agency.**

16 **Sec. 5. As used in this chapter, "state agency" means a board,**
17 **a branch, a bureau, a commission, a committee, a council, a**

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department, a division, an office, or another instrumentality of the executive, legislative, or judicial branch of state government. The term does not include a political subdivision of the state.

Sec. 6. As used in this chapter, "state income tax liability" means a taxpayer's total income tax liability incurred under IC 6-3 and computed after application of credits that, under IC 6-3.1-1-2, are to be applied before the credit provided by this chapter.

Sec. 7. This chapter applies to taxable years beginning after December 31, 2003.

Sec. 8. Subject to the limitations and requirements set forth in sections 9 and 10 of this chapter, an employee who has:

- (1) incurred state income tax liability; and
- (2) paid interest on an educational loan;

in a taxable year is entitled to a credit against the employee's state income tax liability as provided in section 9 of this chapter.

Sec. 9. (a) A full-time employee who is employed for a full taxable year is entitled to a credit for a taxable year equal to fifty percent (50%) of the interest paid by the employee on an educational loan in that taxable year.

(b) An employee who is employed part time or for less than a full taxable year is entitled to a prorated credit equal to fifty percent (50%) of the interest paid by the employee on an educational loan multiplied by one (1) of the following percentages:

- (1) In the case of a part-time employee who is employed for a full taxable year, the number of hours per day worked by the part-time employee divided by the number of hours per day worked by a full-time employee.
- (2) In the case of a full-time employee who is employed for less than a full taxable year, the number of days worked by the full-time employee in the taxable year divided by the number of work days in the full taxable year.
- (3) In the case of a part-time employee who is employed for less than a full taxable year:

(A) the number of hours per day worked by the part-time employee divided by the number of hours worked per day by a full-time employee, multiplied by:

(B) the number of days worked by the employee in the taxable year divided by the number of work days in the full taxable year.

Sec. 10. (a) If the credit determined under section 9 of this chapter for a particular employee and a particular taxable year exceeds the employee's state income tax liability for that taxable

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1 year, the employee may carry over the excess credit to the
2 immediately succeeding taxable years. Each time the excess credit
3 is carried over to a succeeding taxable year, it is to be reduced by
4 the amount that was used as a credit during the immediately
5 preceding taxable year. The credit provided by this chapter may
6 not be used for any taxable year that begins more than ten (10)
7 years after the date on which the employee begins paying interest
8 on the educational loan.

9 (b) A credit earned by an employee in a particular taxable year
10 shall be applied against the employee's state income tax liability for
11 that taxable year before any credit carryover is applied against
12 that liability under subsection (a).

13 (c) An employee is not entitled to any carryback or refund of
14 any unused credit.

15 Sec. 11. To receive the credit provided by this chapter, an
16 employee must claim the credit on the employee's annual state tax
17 return or returns in the manner prescribed by the department. The
18 employee shall submit to the department all information that the
19 department determines is necessary for the calculation of the credit
20 provided by this chapter and for the determination of whether a
21 loan is an educational loan.

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